
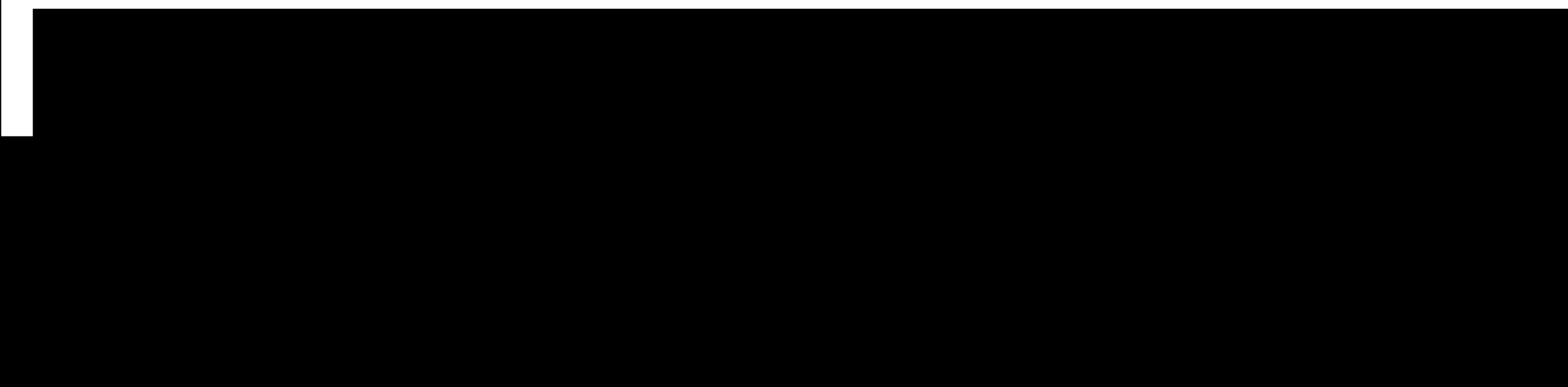


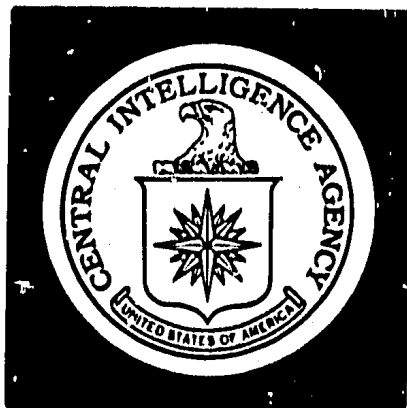


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DIRECTORATE OF
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Intelligence Memorandum

Jamaican Unemployment: A Growing Problem

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
December 1970

INTELLIGENCE MEMORANDUM

Jamaican Unemployment: A Growing Problem

Introduction

Since the early 1960s, Jamaica's already high unemployment rate has risen despite moderate economic growth. The Jamaican Labor Party, in power since independence in 1962, began to recognize the problem's seriousness several years ago, but its remedial efforts thus far have not reversed the trend. Failure to improve the job situation could upset the political and social stability underlying recent economic expansion. This memorandum examines the dimensions, causes, and consequences of the unemployment problem and considers prospects for easing it.

The Problem's Basic Causes and Extent

1. Unemployment has long been a problem in Jamaica, which has one of the smallest, most narrowly based economies among this hemisphere's independent nations. With population growth of 2.6% annually (down from 3.1% during 1961-66), pressure on resources in the 4,410-square-mile island is strong and rising. Cultivated land amounts to only 0.64 acre per capita -- one-eighth the Latin American average -- and is difficult to increase because major areas are mountainous, arid, or troubled by erosion. Mineral resources other than bauxite are lacking. With a population of only

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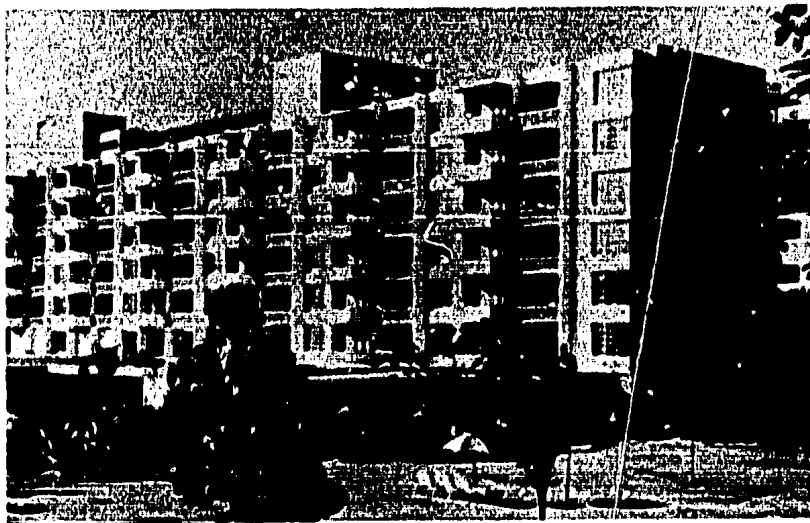
JAMAICA: ECONOMIC PERSPECTIVES

Canadian-owned alumina plant at Mandeville



BAUXITE-ALUMINA INDUSTRY - world's leading exporter ... sales of \$142 million in 1969

Luxury hotel in Ocho Rios

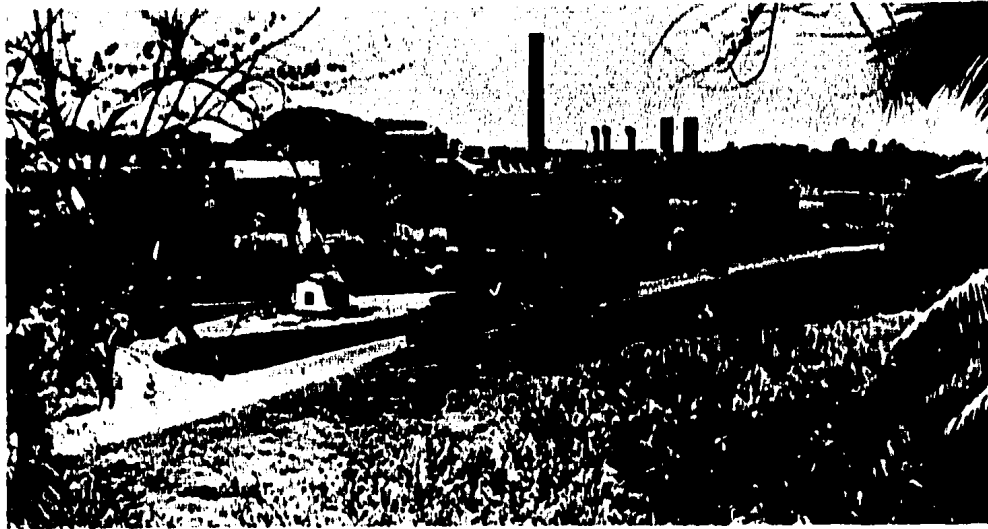


TOURIST INDUSTRY - 407,000 visitors ... gross earnings of \$93 million in 1969

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British-owned Frome estate and sugar mill



SUGAR INDUSTRY - stagnant high-cost output ...
exports of \$34 million in 1969 ... depends
heavily on UK preference system

Scene in Kingston's Backwall district



URBAN POVERTY - widespread, grow-
ing problem

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2 million, and perhaps one out of four people still engaged in subsistence farming, Jamaica has a small domestic market that limits manufacturing expansion to satisfy home needs. Moreover, some significant postwar industrial development has been highly capital-intensive, creating relatively few jobs. Social factors have contributed to the unemployment problem; jobs which are considered demeaning are sometimes turned down, as are those which are poorly paid. There is also the usual lack of skills among the unemployed.

2. Jamaican economic growth has averaged an impressive 6½% annually since 1950, thanks mainly to bauxite development and expanding tourism. Annual per capita income has risen somewhat above the Latin American average of \$580 (calculated on a purchasing power parity basis). But what could be adequate growth in some countries has not prevented a growing Jamaican problem of unemployment and urban poverty. In 1969 an estimated 175,000 persons, or 23% of the labor force of some 750,000, were unemployed.* Since underemployment also is widespread, perhaps one-third of the labor force lacks adequate jobs. High as this ratio is, it is not unique in the Caribbean area.

3. The economic hardship arising from Jamaican unemployment is somewhat mitigated by the fact that young, first-time job hunters make up about one-half of the jobless. The common "extended family" arrangement, in which a single wage-earner supports numerous relatives, also helps. Many such families are being assisted by emigrant wage-earners, who remitted about \$20 million in 1969. Furthermore, the tropical climate lessens the need for heavy clothing, costly shelter, and a high caloric diet. The tropical factor also helps to explain why some underemployment may be voluntary. Approximately 40% of the unemployed live in Kingston (the capital) and the rest of St. Andrew Parish, many having come from the countryside in search of a better life.

** Most of the estimates in this memorandum for labor force and employment are approximations. The last official labor force data are for 1960. Unemployment figures, however, generally are from official sources and probably are reasonably reliable.*

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CONFIDENTIALInitial Postwar Trends in Unemployment

4. In the first years after World War II, perhaps 30% of the labor force was left jobless as war-related employment ended and traditional agriculture stagnated. As population rose and rural poverty intensified, job-seekers increasingly flocked to the cities. The unemployment rate nevertheless declined to about 17% by 1960 and perhaps to 13% by 1962, as a result of substantial emigration to the United Kingdom and unusually rapid economic growth. Net emigration during 1951-62 totaled some 190,000 people -- 14% of the 1950 population -- and a large share (about 60%) of emigrants were economically active. Because of emigration and declining labor force participation rates, the work force apparently did not increase -- and may have declined slightly -- from 1950 to 1962, when it approximated 600,000 persons. Since economic growth accelerated at the same time, unemployment fell from some 170,000 persons in 1950 to 103,000 in 1960 and perhaps 80,000 in 1962.

5. Even so, Jamaica's rapid economic growth during 1951-62 did not generate a particularly large number of jobs, because there were major structural shifts toward modern, capital-intensive production. Total output did jump by about 135% -- an average of 7.4% annually -- but employment rose only between 15% and 20%. In mining, \$155 million was invested in bauxite extraction and processing facilities that employed only 3,000 people by 1960 but raised the sector's contribution to gross domestic product from less than 1% to 10%. Sparked by diversification into consumer durables and light industrial goods, manufacturing output nearly tripled during 1951-60. The 90,000-man manufacturing work force in 1960 apparently exceeded the 1950 force by no more than 50%, however. In agriculture, both production and employment apparently changed little. The labor force on farms growing export crops (mainly sugar and bananas) probably increased significantly with the implementing of the Commonwealth Sugar Agreement in 1951 and the partial recovery of banana output from disease and wartime shipping restrictions. Otherwise, there was little scope for greater farm employment because erosion caused a small drop in land use and the countryside was already overcrowded.

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The 250% rise in tourist spending (to \$30 million) obviously was important in raising employment in trade and services, although the number of jobs created is not known.

Growing Unemployment Since 1962

6. Unemployment has risen considerably since 1962, mainly because restricted emigration to the United Kingdom coincided with reduced economic growth rates. The British Commonwealth Immigration Act of 1962, aimed at cutting the inflow of East Indians, Africans, and West Indians, caused Jamaican emigration to drop sharply. Average annual emigration of about 8,400 persons to the United Kingdom during 1963-66 was little more than one-fourth that of 1960-62 and well below that of 1954-59 (see the table). This outflow may have declined a little more in 1968-69. Moreover, about 70% of the emigrants since 1962 have been dependents, making the share of labor force members in the outflow much smaller than before.

Jamaica: Average Annual Emigration

	Thousand Persons		
	<u>Gross Emigration</u>		<u>Total Net Emigration</u>
	<u>To UK</u>	<u>To US <u>a/</u></u>	
1951-53	2 <u>b/</u>	1 <u>b/</u>	2-3 <u>b/</u>
1954-56	14.7	1 <u>b/</u>	15.0
1957-59	12.0	1.4	12.2
1960-62	31.4	1.4	32.5
1963-66	8.4	1.8	9.0
1967-69	N.A.	15.0	21-23 <u>b/</u>

a. US fiscal years ending 30 June.

b. Estimated.

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7. Liberalization of US immigration policy since 1965 has helped to offset Britain's restrictions. During 1966-68, specific country quotas for the Western Hemisphere were gradually phased out; within the hemisphere quota, immigrants are admitted freely, in the order of their application. As a result, Jamaican emigration to the United States jumped from an annual average of about 1,600 persons during 1960-66 to 15,000 in 1967-69, or nearly one-half of the peak 1960-62 movement to the United Kingdom.* Despite the recently increased outflow to the United States, the domestic labor force has been growing by approximately 20,000-25,000 persons (roughly 3%) annually.

8. Continued concentration of economic expansion in the more capital-intensive industries and a slowdown in growth to 5% annually (two-thirds the 1951-62 rate) restricted employment gains to about 12% during 1963-69. With declining emigration, the labor force grew by approximately 25%, causing unemployment to jump from about 80,000 to 175,000. Except for tourist-related industries, growth continued to be concentrated in mining, manufacturing, and transport activities that provided relatively little employment. Agricultural employment probably did not increase and may have declined because of the sector's persisting stagnation. In addition, growing social awareness among young people led many to reject agricultural employment, sometimes causing jobs to go unfilled.

Unemployment as a Political Issue

9. Despite its high level, unemployment has been slow to become a political issue. The decline in the jobless rate during 1951-62 -- and optimism about its dropping further -- helped to prevent strong pressure for government action. Attainment of full internal self-government in 1959 and prospects of complete independence perhaps also overshadowed basic economic problems. At the same time, the unemployed have lacked political representation and even an effective spokesman. The

* For some time, the United States also has admitted some 10,000 Jamaicans annually for seasonal farm work.

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governing Jamaican Labor Party (JLP) began as a workers' party but in recent years has espoused relatively conservative policies supported by major planter and industrial interests. Although the JLP paid little attention to unemployment until recently, the opposition Peoples' National Party -- a moderately nationalist, labor-oriented body -- has never made the problem a major political issue either.

10. With the growth of unemployment, the government eventually began to give the matter more attention. Although the island has remained relatively calm, Jamaicans were shaken in October 1968 when rioting and looting by students and slumdwellers broke out. Eruptions of violence in Trinidad and Bermuda in 1969 were further evidence of discontent in the Caribbean area. As must have been obvious to the Shearer government, widespread disorders of this sort in Jamaica could discourage both private foreign investment (which averaged 37% of total investment in 1967-69) and tourism (which provided 40% of foreign exchange earnings in 1969).

Government Action

11. One of the government's main actions has been to enlarge its public works program, especially road construction and conservation projects, to provide jobs for unskilled workers. Outlays on these programs tripled from fiscal year 1966 to fiscal year 1969, when they cost nearly \$7 million and employed some 18,000 people. In addition, the government has attempted to stem rural-urban migration by providing loans, subsidies, and technical assistance to small farmers and by supporting labor union efforts to discourage mechanized sugarcane harvesting. The latter efforts apparently have had some success. But in trying to preserve jobs, the government has helped to perpetuate the industry's high production costs, which prompted two of Jamaica's 16 sugar mills to close in recent years and threaten the closing of at least one other.

12. The government also has tried to promote manufacturing -- and to create jobs -- by strengthening investment incentives. In 1967-68 it liberalized laws offering income tax holidays, duty-free entry of machinery and materials, and a protected

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market for new plants. As a result, outlays under the incentive laws reached \$16 million (58% of total manufacturing investment) in 1969, compared with a \$9 million average in 1965-66. At least 50 firms employing some 5,500 workers have been established since 1965. The industrialization effort picked up momentum in the first two months of 1970, with the establishment of seven small plants and announcement that 17 others would be expanded at a cost of \$4 million. Increasingly, manufacturing expansion has been directed toward new, sophisticated fields such as plastics and electronic component production rather than toward traditional industries such as food processing and textiles.

13. Looking beyond the present, the Shearer administration has stepped up efforts to improve the quality of the labor force and to slow population growth. Government outlays for education more than doubled between fiscal year 1966 and fiscal year 1970, rising to \$42 million (one-sixth of total spending). However, secondary schools still are available to only 10% and primary schools to 70% of the eligible students. In conjunction with the private sector, the government also is expanding the number of industrial training centers. The goal for population control is ambitious -- a cut in the birth rate from the current 34 per thousand people to 25 per thousand by 1976. This reduction would slow population growth from 2.6% to about 1.7% annually, assuming that death rates and emigration continue at recent levels. Jamaica's population program will be supported by a recently approved \$2 million loan from the World Bank to establish clinics and counseling services. Spending by the government's National Family Planning Board is budgeted at \$600,000 for fiscal year 1971 -- a ten-fold increase since fiscal year 1966.

Prospects

14. If emigration continues at its present level, Jamaica must provide some 100,000-125,000 new jobs over the next five years to keep unemployment from rising and 175,000-200,000 to reduce the jobless rate to 12%. Despite the government's efforts to provide work directly, to extend

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education and job training, and to attract more investment, increasing unemployment is the most likely prospect.

15. Scheduled investment of some \$275 million in the bauxite-alumina industry during 1969-74 probably will not create more than 10,000 jobs. If it continues growing at the recent pace, manufacturing also can be expected to provide some 10,000 additional jobs. The expected doubling of tourist facilities over the next three years may create 15,000-20,000 jobs by 1975 if the industry can continue operating at capacity in the face of stiff competition from other areas. Increases in agricultural employment are severely limited by the high production cost for export crops and by various natural and institutional constraints on crop production for domestic use. Moreover, the situation could be aggravated if Jamaica's preferential markets for sugar and bananas in the United Kingdom are altered unfavorably by the United Kingdom's joining the European Common Market.

16. The unemployed are likely to number between 225,000 and 250,000 by 1975, or 26%-28% of the labor force. The rate could be higher if social unrest, political instability, or growing nationalism hinder foreign investment and tourism. Unemployment could be held below a 25% rate if labor-intensive manufacturing expanded substantially or if the government greatly increased its public works programs, but in neither case is the outlook promising. Jamaica therefore is likely to experience rising unemployment accompanied by increased political and social unrest during the next several years.

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